

**REPORT OF THE AUDIT OF THE  
CAMPBELL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Campbell County Fiscal Court audit for the fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$ 94,748 from the beginning of the year, resulting in a cash surplus of \$ 12,193,158 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$ 2,415,000. Future collections of \$3,462,910 are needed over the next twenty years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$ 2,000,000 as of June 30, 2002. Future principal, interest, and fee payments of \$ 2,217,867 are needed to meet these obligations.

#### **Report Comments:**

- The County Should Utilize Adequate Internal Controls Over Signature Plate
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Should Maintain A Receipts Ledger For Insurance Tax Premiums
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

#### **Deposits:**

As of August 31, 2001, at one depository the fiscal court's deposits were uninsured and undercollateralized by \$246,608. On June 30, 2002, at the same depository the fiscal court's deposits were uninsured and undercollateralized by \$106,395. At a separate depository on June 30, 2002, the fiscal court's deposits were uninsured and undercollateralized by \$266,361.



## CONTENTS

## PAGE

INDEPENDENT AUDITOR’S REPORT .....	1	
CAMPBELL COUNTY OFFICIALS.....	3	
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6	
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES .....	12	
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUNDS .....	19	
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS .....	23	
NOTES TO FINANCIAL STATEMENTS .....	24	
SUPPORTING SCHEDULES:		
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	35	
SCHEDULE OF OPERATING REVENUE .....	38	
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES .....	42	
SCHEDULE OF OTHER EXPENDITURES .....	47	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....		51
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....		55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....		59
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....		65
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....		67
APPENDIX A:		
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM		





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Campbell County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, the statement of cash receipts, disbursements, and changes in cash balances - proprietary funds, and the related statement of cash flows - proprietary funds for the year then ended. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Fiscal Court Housing Department Housing Choice Voucher Program, representing 100% and 79.83%, respectively, of the assets and receipts of the Special Revenue Fund Type; Lakeside Terrace Apartments HUD Project NO. 083-44012-236, representing 47.18% and 31.96% respectively of the assets and receipts of the Proprietary Fund Type; Campbell County Public Properties Corporation, representing .35% and 4.45%, respectively, of the assets and receipts of the General Fund Type, 100% and 10.66% of the assets and receipts of the Capital Projects Fund Type, and 100% of both assets and receipts of the Debt Service Fund Type; and A.J. Jolly Park, representing 49.08% and 64.27%, respectively, of the Proprietary Fund Type of Campbell County. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fiscal Court Housing Department Housing Choice Voucher Program, Lakeside Terrace Apartments HUD Project No. 083-44012-236, Campbell County Public Properties Corporation, and A. J. Jolly Park, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Campbell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Campbell County, Kentucky, and the revenues received and expenditures paid, and the cash flows of its enterprise funds for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2003 on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Campbell County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The County Should Utilize Adequate Internal Controls Over Signature Plate
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Should Maintain A Receipts Ledger For Insurance Tax Premiums
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 17, 2003



CAMPBELL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Steve Pendery	County Judge/Executive
David E. Otto	Commissioner
William J. Verst	Commissioner
Roland T. Vories	Commissioner

**Other Elected Officials:**

Justin Verst	County Attorney
Greg Buckler	Jailer
Jack D. Snogress	County Clerk
Thomas J. Calme	Circuit Court Clerk
John Dunn	Sheriff
Mariann G. Dunn	Property Valuation Administrator
Mark G. Schweitzer	Coroner

**Appointed Personnel:**

Diane Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
Larry Sabo	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

CAMPBELL COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 6,630,963	\$ 82,192	\$ 138,068	\$ 117,189
Investments	4,402,536	621,335		
Restricted Cash-				
Tenants Deposits Held in Trust				
Escrow Deposits				
Replacement Reserve				
Property, Plant and Equipment				
Net of Accumulated Depreciation		31,110		
Total Assets	<u>\$ 11,033,499</u>	<u>\$ 734,637</u>	<u>\$ 138,068</u>	<u>\$ 117,189</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Kentucky Association of Counties Leasing Trust	\$ 2,000,000	\$	\$	\$
Bond Payments				
2001 Series	2,415,000			
1997 Series				2,870,000
1998 Series				1,180,000
Total Other Resources	<u>\$ 4,415,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,050,000</u>
Total Assets and Other Resources	<u><u>\$ 15,448,499</u></u>	<u><u>\$ 734,637</u></u>	<u><u>\$ 138,068</u></u>	<u><u>\$ 4,167,189</u></u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only) Primary Government
Enterprise	Trust and Agency	
\$ 336,751	\$ 10,495	\$ 7,315,658
		5,023,871
18,127		18,127
6,405		6,405
114,303		114,303
1,855,185		1,886,295
<u>\$ 2,330,771</u>	<u>\$ 10,495</u>	<u>\$ 14,364,659</u>
\$	\$	\$ 2,000,000
		2,415,000
		2,870,000
		1,180,000
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,465,000</u>
<u><u>\$ 2,330,771</u></u>	<u><u>\$ 10,495</u></u>	<u><u>\$ 22,829,659</u></u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease:				
Kentucky Association of Counties Leasing Trust	\$ 2,000,000	\$		
Mortgage				
Bonds:				
2001 Series	2,415,000			
1997 Series				2,870,000
1998 Series				1,180,000
Accounts Payable		181,815		
Amounts Held in Custody for Others				
Accrued Salaries and Payroll Taxes		16,893		
Sales Tax Payable				
Accrued Interest				
Tenant Security Deposits				
Payroll Liabilities	53			
Health Insurance Premiums Payable	8,168			
Total Liabilities	\$ 4,423,221	\$ 198,708	\$ 0	\$ 4,050,000
<u>Equity</u>				
Net Assets	\$	\$		
Surplus		535,924		
Fiscal Court Contributions				
Debt Service Requirements				
Recreation Project Grants				
Retained Earnings				
Fund Balances:				
Reserved		5	138,068	117,189
Unreserved	11,025,278			
Total Equity	\$ 11,025,278	\$ 535,929	\$ 138,068	\$ 117,189
Total Liabilities and Equity	\$ 15,448,499	\$ 734,637	\$ 138,068	\$ 4,167,189

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only) Primary Government
Enterprise	Trust and Agency	
\$ 666,488	\$	\$ 2,000,000
404,600		666,488
104,043		2,819,600
34,020		2,870,000
2,153		1,180,000
13,941		285,858
18,127	10,495	10,495
		50,913
		2,153
		13,941
		18,127
		53
		8,168
<u>\$ 1,243,372</u>	<u>\$ 10,495</u>	<u>\$ 9,925,796</u>
\$ 309,489	\$	\$ 309,489
323,754		535,924
208,701		323,754
158,111		208,701
87,344		158,111
		342,606
		11,025,278
<u>\$ 1,087,399</u>	<u>\$ 0</u>	<u>\$ 12,903,863</u>
<u>\$ 2,330,771</u>	<u>\$ 10,495</u>	<u>\$ 22,829,659</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CAMPBELL COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,177,906	\$ 667,413	\$ 1,035,525	\$ 1,793
Other Financing Sources:				
Bond Proceeds-2001 Issue	1,074,525	1,310,475		
Transfers In	1,850,522	695,000	1,310,000	
Kentucky Association of Counties				
Leasing Trust Proceeds	1,489,928			
Taxes Collected for the Cities				
Other Revenue				
Total Cash Receipts	<u>\$ 12,592,881</u>	<u>\$ 2,672,888</u>	<u>\$ 2,345,525</u>	<u>\$ 1,793</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,234,239	\$ 1,344,996	\$ 2,201,581	\$ 1,793
Schedule of Other Expenditures				
Other Financing Uses:				
Bond Principal Payments				
Bond Interest Payments				
Transfers Out	2,360,715	93,155	192,363	
Transfer Out to Lakeside Park	4,913			
Transfers to PPC:				
Defeasance of Bonds-1992 Series	1,074,525	1,310,475		
Transfer Out To Dispatch Board	1,489,928			
Tax Payments to Cities				
Other Disbursements				
Total Cash Disbursements	<u>\$ 12,164,320</u>	<u>\$ 2,748,626</u>	<u>\$ 2,393,944</u>	<u>\$ 1,793</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 428,561	\$ (75,738)	\$ (48,419)	\$
Cash Balance - July 1, 2001*	<u>** 3,156,897</u>	<u>126,156</u>	<u>165,696</u>	
Cash Balance - June 30, 2002*	<u>\$ 3,585,458</u>	<u>\$ 50,418</u>	<u>\$ 117,277</u>	<u>\$ 0</u>

\* Cash Balance Includes Investments

\* Cash Balance Includes Investments; General Fund Cash Balance Includes \$1,200 in Stock Certificates

\*\* Beginning cash balance of the General Fund has increased from the prior year by \$24,846 due to prior year voided checks.

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
 STATEMENT OF CASH RECEIPTS,  
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

General Fund Type					
TANK Tax Fund	Mental Health Tax Fund	Senior Citizens Tax Fund	Senior Citizen's Picnic Acct	Consolidated Payroll Tax Fund	Campbell County Public Properties Corporation
\$ 451,820	\$ 8,185	\$ 15,110	\$	\$ 6,516,496	\$ 247,019
5,577,977	619,775	135,000 315,538	3,000		336,001
				1,528,103	
			8,708		
<u>\$ 6,029,797</u>	<u>\$ 627,960</u>	<u>\$ 465,648</u>	<u>\$ 11,708</u>	<u>\$ 8,044,599</u>	<u>\$ 583,020</u>
\$ 3,904,887	\$ 548,394	\$ 307,707	\$	\$	\$
					14,900
					57,882
2,058,203	31,500	12,471		6,522,408	516,172
		135,000			
				1,512,445	
			12,450	9,746	
<u>\$ 5,963,090</u>	<u>\$ 579,894</u>	<u>\$ 455,178</u>	<u>\$ 12,450</u>	<u>\$ 8,044,599</u>	<u>\$ 588,954</u>
\$ 66,707	\$ 48,066	\$ 10,470	\$ (742)	\$	\$ (5,934)
6,524,135	474,924	107,931	1,354		44,015
<u>\$ 6,590,842</u>	<u>\$ 522,990</u>	<u>\$ 118,401</u>	<u>\$ 612</u>	<u>\$ 0</u>	<u>\$ 38,081</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

	Special Revenue Fund Type				
	Campbell County Health Service, Inc., Human Resources Fund	Emergency Shelter Grant Fund	Waterline Grant Fund	Public Safety Communications Center Fund	Fiscal Court Housing Department Housing Choice Voucher Program
<u>Cash Receipts</u>					
Schedule of Operating Revenue	\$	\$ 10,000	\$ 240,949	\$ 259,431	\$ 2,540,005
Other Financing Sources:					
Bond Proceeds-2001 Issue					
Transfers In					
Kentucky Association of Counties					
Leasing Trust Proceeds					
Taxes Collected for the Cities					
Other Revenue	131,224				
Total Cash Receipts	\$ 131,224	\$ 10,000	\$ 240,949	\$ 259,431	\$ 2,540,005
<u>Cash Disbursements</u>					
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 10,000	\$ 240,949	\$ 346,800	\$
Schedule of Other Expenditures					2,658,489
Other Financing Uses:					
Bond Principal Payments					
Bond Interest Payments					
Transfers Out					
Transfer Out to Lakeside Park					
Transfers to PPC:					
Defeasance of Bonds-1992 Series					
Transfer Out To Dispatch Board					
Tax Payments to Cities					
Other Disbursements	131,240				
Total Cash Disbursements	\$ 131,240	\$ 10,000	\$ 240,949	\$ 346,800	\$ 2,658,489
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (16)	\$	\$	\$ (87,369)	\$ (118,484)
Cash Balance - July 1, 2001*	21			87,369	654,408
Cash Balance - June 30, 2002*	\$ 5	\$ 0	\$ 0	\$ 0	\$ 535,924

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Capital Projects Fund Type			Debt Service Fund Type				Totals (Memorandum Only)	
Public Properties Fund								
Capital Projects Fund	Special Improvement Fund	Construction Fund	Bond Payment Fund	Cost of Issuance Fund	Reserve Fund	Sinking Fund		
\$ 14,977	\$ 59,079	\$ 2,270	\$ 50	\$ 65	\$ 156,771	\$ 197	\$	20,405,061
								2,520,000
499,138			49,700	2,624		476,558		11,735,833
								1,489,928
								1,528,103
								139,932
\$ 514,115	\$ 59,079	\$ 2,270	\$ 49,750	\$ 2,689	\$ 156,771	\$ 476,755	\$	37,818,857
\$ 514,115	\$ 246	\$ 44,116	\$	\$	\$	\$	\$	16,699,823
			10	13	324	44		2,673,780
			49,700		125,000	265,000		497,582
					52,435	211,558		263,993
								11,786,987
								4,913
								2,520,000
								1,489,928
								1,512,445
								153,436
\$ 514,115	\$ 246	\$ 44,116	\$ 49,710	\$ 13	\$ 177,759	\$ 476,602	\$	37,602,887
\$	\$ 58,833	\$ (41,846)	\$ 40	\$ 2,676	\$ (20,988)	\$ 153	\$	215,970
		121,081		\$ 1,730	133,190	388		11,599,295
\$ 0	\$ 58,833	\$ 79,235	\$ 40	\$ 4,406	\$ 112,202	\$ 541	\$	11,815,265

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – PROPRIETARY FUNDS





CAMPBELL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2002

	Enterprise Funds			
		Lakeside Terrace Apartments HUD Project	A. J. Jolly Park	Totals (Memorandum Only)
	Jail Canteen	No. 083-44012-236		
Schedule of Operating Revenue	\$ 37,295	\$ 315,867	\$ 635,180	\$ 988,342
Total Cash Receipts	\$ 37,295	\$ 315,867	\$ 635,180	\$ 988,342
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 62,872	\$	\$	\$ 62,872
Schedule of Other Expenditures		278,672	714,280	992,952
Transfers Out	5,000			5,000
Total Cash Disbursements	\$ 67,872	\$ 278,672	\$ 714,280	\$ 1,060,824
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (30,577)	\$ 37,195	\$ (79,100)	\$ (72,482)
Cash Balance - July 1, 2001	117,921	272,294	769,666	1,159,881
Cash Balance - June 30, 2002	\$ 87,344	\$ 309,489	\$ 690,566	\$ 1,087,399

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS



CAMPBELL COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2002

	Enterprise Funds			
		Lakeside Terrace Apartments HUD Project	A. J. Jolly Park	Totals (Memorandum Only)
	Jail Canteen	No. 083-44012-236		
Cash Flows from Operating Activities				
Net Income (Loss)	\$ (30,577)	\$ 37,195	\$ (79,100)	\$ (72,482)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation		54,999	96,586	151,585
Decrease in accounts receivable		5,271		5,271
(Increase) in prepaid expenses		(7,410)		(7,410)
(Decrease) in accounts payable		(2,303)	(1,591)	(3,894)
Increase in accrued liabilities		3,761	13,074	16,835
Net cash provided (used) by operating activities	\$ (30,577)	\$ 91,513	\$ 28,969	\$ 89,905
Cash Flows from Investing Activities				
Purchase of equipment	\$	\$ (21,562)	\$ (80,307)	\$ (101,869)
Adjustment for accumulated depreciation			(537)	(537)
Net deposits to reserve for replacements account		(11,344)		(11,344)
Net deposits to the mortgage escrow account		(345)		(345)
Net Cash Used In Investing Activities	\$ 0	\$ (33,251)	\$ (80,844)	\$ (114,095)
Cash Flows from Financing Activities				
Capital lease payments	\$	\$	\$ (16,800)	\$ (16,800)
Mortgage principal payments		(64,827)		\$ (64,827)
Net Cash Used in Financing Activities	\$ 0	\$ (64,827)	\$ (16,800)	\$ (81,627)
Net Decrease in Cash and Cash Equivalents	\$ (30,577)	\$ (6,565)	\$ (68,675)	\$ (105,817)
Cash and Cash Equivalents July 1, 2001	117,921	110,627	205,491	434,039
Cash and Cash Equivalents June 30, 2002	\$ 87,344	\$ 104,062	\$ 136,816	\$ 328,222

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Campbell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Fiscal Court Housing Department Housing Choice Voucher Program, Lakeside Terrace Apartments HUD Project NO. 083-44012-236, Campbell County Public Properties Corporation, and A. J. Jolly Park, which are audited by other auditors as part of the reporting entity.

Fiscal Court Housing Department Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Choice Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the county.

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-Unit apartment for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U. S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the county.

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties are the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

A. J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reporting method was adopted to account for the park operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by Campbell County, Kentucky Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Parks Corporation will transfer title of the property to the county. This component unit is blended within the financial statements of the county.

CAMPBELL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Additional - Campbell County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Campbell County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Campbell County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Occupational Tax Funds (which includes the TANK Tax Fund, the Mental Health Tax Fund, the Senior Citizens Tax Fund, the Senior Citizens Picnic Account, and the Consolidated Payroll Tax Fund).

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Campbell County Special Revenue Fund Type includes the following county funds: The Campbell County Health Services, Inc., Human Resources Fund, the Emergency Shelter Grant Fund, the Waterline Grant Fund, and the Public Safety Communications Center Fund

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Capital Projects Fund is reported as a Capital Projects Fund Type.

CAMPBELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

4) Debt Services Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest, and includes funds for the Bond Payment Fund, Cost of Issuance Fund, Reserve Fund, and Sinking Fund of the Campbell County Public Properties Corporation. Debt Service is provided through transfers from the Service Fund and through state reimbursements.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Campbell County Enterprise Fund Type includes the Jail Canteen Fund, the Lakeside Terrace Apartments HUD Project No. 083-44012-236, and the A. J. Jolly Park.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. The Jail Canteen Fund is included in Campbell County's approved budget and the County Treasurer prepares the Jail Canteen Fund financial statements. All profit expenditures were for the benefit and/or recreation of the inmates.

The Lakeside Terrace Apartments HUD Project and A. J. Jolly Park are audited separately, and their audit reports are available upon request.

6) Fiduciary Fund Type

Fiduciary Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds, (d) investment trust funds, and (e) agency funds. The Jail Inmate Account is an agency fund and is used to report the inmate resources held by the county in a custodial capacity.



CAMPBELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, except the Lakeside Terrace Apartments HUD Project and A. J. Jolly Park, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

The State and Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Campbell County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal: Campbell County Consolidated Dispatch Board.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with five depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

- 1) At three of the banks, these requirements were met and as of June 30, 2002, the county's deposits were fully insured or collateralized at 100% level with collateral of either pledged securities held by the county's agent in the county's name or provided surety bond which named the county as beneficiary/obligee on the bond.

CAMPBELL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 3. Deposits and Investments (Continued)

A. Deposits (Continued)

- 2) At the fourth bank the collateral and FDIC insurance together did not equal or exceed the amount on deposit as of June 30, 2002, leaving \$266,361 of public funds uninsured and unsecured. The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2002.

	<u>Bank Balance</u>
Collateralized With Securities Held By The County's Agent In The County's Name	\$ 7,104,473
FDIC insured	100,000
Uncollateralized and uninsured	<u>266,361</u>
Total	<u><u>\$ 7,470,834</u></u>

- 3) At the fifth bank, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, as of August 31, 2001, leaving \$246,608 of public funds uninsured and unsecured. Also, as of June 30, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$106,395 of public funds uninsured and unsecured. The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2001.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Uncollateralized and uninsured	<u>246,608</u>
Total	<u><u>\$ 346,608</u></u>

CAMPBELL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

<u>Types of Investments</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Federal National Mortgage Association Discount Notes	\$ 668,555	\$ 668,555	\$ 668,555
Federal Home Loan Mortgage Corporation Discount Notes	<u>3,732,781</u>	<u>3,732,781</u>	<u>3,732,781</u>
Totals	<u>\$ 4,401,336</u>	<u>\$ 4,401,336</u>	<u>\$ 4,401,336</u>

Note 4. Kentucky Association of Counties Leasing Trust

The Campbell County Fiscal Court, the City of Fort Thomas and the City of Newport entered into an interlocal agreement dated January 9, 2001, which created the Campbell County Dispatch Board (Note 1F). As indicated per this interlocal agreement, the Campbell County Fiscal Court shall make a one-time contribution of cash in the amount of \$750,000 earmarked for capital equipment and development of the new communications system. Furthermore, the fiscal court shall make an annual and recurring cash contribution to the board earmarked for general operational expenses, at the beginning of each fiscal year, commencing on the first year of dispatch service. The base amount for the initial fiscal year shall be \$200,000, which shall be adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002 implementing the following: The Campbell County Fiscal Court will enter into a six year lease with Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount will be made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 will be made on behalf of the County in meeting its obligation pursuant to the interlocal agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.5% of the annual lease payment less the credit of \$200,000 pursuant to the interlocal agreement.

CAMPBELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Kentucky Association of Counties Leasing Trust (Continued)

On June 14, 2002, Campbell County Fiscal Court entered into a six-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of leasing dispatch equipment for the Campbell County Consolidated Dispatch Board. On June 19, 2002, the first drawdown was made on this lease in the amount of \$1,489,928 for the purchase of dispatch equipment and furniture. The remaining drawdowns were made in the fiscal year ended June 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2008, as shown in the following table.

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>	<u>Scheduled Fees</u>
2002-2003	\$ 46,991	\$ 306,177	\$ 14,103
2003-2004	38,096	317,211	13,125
2004-2005	30,848	327,520	10,634
2005-2006	23,552	338,164	8,117
2006-2007	15,960	349,155	5,502
2007-2008	8,138	361,773	2,801
	<u>\$ 163,585</u>	<u>\$ 2,000,000</u>	<u>\$ 54,282</u>

Note 5. Long-Term Debt

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Obligation Public Project Refunding Bonds, Series 2001 to refund Campbell County, Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The new bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.2% to 5.0%. These bonds are a general obligation bond of Campbell County, Kentucky but were inadvertently run through Campbell County Public Properties during fiscal year ending June 30, 2002. Transactions relative to these bonds were shown in Campbell County Public Properties Corporation records for the year ended June 30, 2002. Campbell County Public Properties was audited by other auditors.

CAMPBELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Long-Term Debt (Continued)

Bonds Outstanding on June 30, 2002, were \$2,415,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30, 2002</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 97,560	\$ 115,000
2004	93,800	120,000
2005	89,786	125,000
2006	85,450	130,000
2007	80,868	130,000
2008-2012	323,326	745,000
2013-2017	186,941	470,000
2018-2022	87,429	470,000
2023	<u>2,750</u>	<u>110,000</u>
Totals	<u>\$ 1,047,910</u>	<u>\$ 2,415,000</u>

Note 6. Jail Canteen Fund

Presentation of Changes in Assets and Liabilities is required for Trust and Agency Funds. The Jail Inmate Account is presented as a Trust and Agency Fund; therefore, presentation of this information is required.

<u>Jail Inmate Account</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance July 1, 2002</u>
Assets:				
Cash With Fiscal Agents	<u>\$ 810</u>	<u>\$ 611,809</u>	<u>\$ 602,124</u>	<u>\$ 10,495</u>
Total Assets	<u>\$ 810</u>	<u>\$ 611,809</u>	<u>\$ 602,124</u>	<u>\$ 10,495</u>
Liabilities:				
Amounts Held In Custody For Others	<u>\$ 810</u>	<u>\$ 611,809</u>	<u>\$ 602,124</u>	<u>\$ 10,495</u>
Total Liabilities	<u>\$ 810</u>	<u>\$ 611,809</u>	<u>\$ 602,124</u>	<u>\$ 10,495</u>

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





CAMPBELL COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 11,134,830	\$ 8,177,906	\$ (2,956,924)
Road and Bridge Fund	681,400	667,413	(13,987)
Jail Fund	1,278,017	1,035,525	(242,492)
Local Government Economic Assistance Fund	3,600	1,793	(1,807)
Operational Employment Tax Funds			
TANK Tax Fund	5,587,250	451,820	(5,135,430)
Mental Health Tax Fund	602,000	8,185	(593,815)
Senior Citizen's Tax Fund	301,500	15,110	(286,390)
Consolidated Payroll Tax Fund		6,516,496	6,516,496
<u>Special Revenue Fund Type</u>			
Emergency Shelter Grant Fund	10,000	10,000	
Waterline Grant Fund	431,600	240,949	(190,651)
Public Safety Communications Center Fund	1,020,000	259,431	(760,569)
<u>Capital Projects Fund Type</u>			
Capital Projects Fund	821,700	14,977	(806,723)
<u>Proprietary Fund</u>			
Jail Canteen	<u>63,500</u>	<u>37,295</u>	<u>(26,205)</u>
Totals	<u>\$ 21,935,397</u>	<u>\$ 17,436,900</u>	<u>\$ (4,498,497)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 21,935,397
Add: Budgeted Prior Year Surplus			3,038,227
Less: Other Financing Uses			<u>(3,415,254)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 21,558,370</u>

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SCHEDULE OF OPERATING REVENUE

CAMPBELL COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	<u>Governmental Fund Type</u>			<u>Proprietary Fund Type</u>
	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Capital Projects Fund Type</u>	<u>Enterprise Fund Type</u>
Taxes	\$ 11,721,043	\$ 258,658	\$	\$
Excess Fees	645,594			
Licenses and Permits	162,301			
Intergovernmental Revenues	2,745,362	250,949	14,791	2,535,420
Charges for Services	534,574			315,867
Miscellaneous Revenues	1,196,209			671,750
Interest Earned	<u>224,791</u>	<u>773</u>	<u>186</u>	<u>5,310</u>
Total Operating Revenue	<u>\$ 17,229,874</u>	<u>\$ 510,380</u>	<u>\$ 14,977</u>	<u>\$ 3,528,347</u>

CAMPBELL COUNTY  
SCHEDULE OF OPERATING REVENUE  
For The Fiscal Year Ended June 30, 2002  
(Continued)

Totals  
(Memorandum Only)

\$	11,979,701
	645,594
	162,301
	5,546,522
	850,441
	1,867,959
	<u>231,060</u>
\$	<u><u>21,283,578</u></u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

CAMPBELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 7,862,207	\$ 6,560,689	\$ 1,301,518
Protection to Persons and Property	4,628,389	4,474,449	153,940
General Health and Sanitation	282,650	260,587	22,063
Social Services	193,048	178,417	14,631
Recreation and Culture	254,200	233,691	20,509
Roads	1,202,062	1,168,959	33,103
Bus Services	388,000	387,111	889
Debt Service	150,000		150,000
Capital Projects	15,500	10,217	5,283
Administration	2,607,645	2,269,477	338,168
 Total Operating Budget - General Fund Type	 \$ 17,583,701	 \$ 15,543,597	 \$ 2,040,104
 Other Financing Uses:			
Transfers to Public Properties Corporation			
Debt Service Requirements	415,254	399,865	15,389
Borrowed Money-			
Tax Anticipation Note - Principal	3,000,000		3,000,000
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 20,998,955	 \$ 15,943,462	 \$ 5,055,493



CAMPBELL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Expenditure Categories	Special Revenue Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 298,050	\$ 4,356	\$ 293,694
Social Services	10,000	10,000	
Capital Projects	431,600	240,949	190,651
Administration	809,319	342,444	466,875
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 1,548,969</b>	<b>\$ 597,749</b>	<b>\$ 951,220</b>

Expenditure Categories	Capital Projects Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 2,323,700	\$ 514,115	\$ 1,809,585
<b>TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE</b>	<b>\$ 2,323,700</b>	<b>\$ 514,115</b>	<b>\$ 1,809,585</b>

CAMPBELL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Expenditure Categories	Proprietary Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property Administration	\$ 100,000 2,000	\$ 62,094 778	\$ 37,906 1,222
TOTAL BUDGET - ENTERPRISE FUND TYPE	<u>\$ 102,000</u>	<u>\$ 62,872</u>	<u>\$ 39,128</u>
TOTAL OPERATING BUDGET- FUND TYPE	<u>\$ 21,558,370</u>	<u>\$ 16,718,333</u>	<u>\$ 4,840,037</u>
TOTAL BUDGET- ALL FUND TYPES	<u>\$ 24,973,624</u>	<u>\$ 17,118,198</u>	<u>\$ 7,855,426</u>

SCHEDULE OF OTHER EXPENDITURES



CAMPBELL COUNTY  
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Items	Component Units			
	Fiscal Court Housing Department Housing Choice Voucher Program	Lakeside Terrace Apartments HUD Project No. 083-44012-236	Campbell County Public Properties Corporation	A. J. Jolly Park
Administrative Expenses	\$	\$ 47,907	\$	\$
Administrative Salaries	246,007			
Travel and Meetings	10,193			
Accounting and Auditing	12,125			
Occupancy Expense	28,645			
Office Supplies and Postage	11,582			
Auto and Equipment Expense	7,339			
Insurance and Workmen's Compensation	2,322			
Employee Benefits	45,453			
Payroll Taxes	17,812			
Communications	10,251			
Operating Expense	5,423			714,280
Depreciation	10,186	54,999		
Utilities Expense		87,005		
Operating and Maintenance Expenses		66,514		
Taxes and Insurance		17,091		
Interest on Notes Payable		1,515		
Mortgage Insurance Premium		3,641		
Housing Administrative Payments	2,251,151			
Bonds Paid			210,000	
Data Processing Fees			881	
Interest Coupons Paid			70,048	
Payments to Bondholders			180,000	
Capital Improvements			43,626	
Interest Paid			193,945	
Debt Service Payment			49,700	
Lakeside Terrace Mortgage Payments			57,882	
District Court Building Bonds Administrative Costs			1,200	
Multiple Projects Revenue Bonds Administrative Costs			540	
Audit Fee			5,450	
Jail Bond Administrative Fee			1,468	
Filing fees and Miscellaneous			16	
Insurance - Lakeside Terrace			4,843	
Bank Charges			62	
General Fund Recreation Bond Administrative Fee			929	
Golf Course Bond Administrative Fee			392	
Totals	\$ 2,658,489	\$ 278,672	\$ 820,982	\$ 714,280

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Campbell County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

- **2002-2:** The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- **2002-3:** The County Should Maintain A Receipts Ledger For Insurance Tax Premiums
- **2002-4:** The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Campbell County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs.

- **2002-1:** The County Should Utilize Adequate Internal Controls Over Signature Plate

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 17, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

**Report On Compliance With Requirements**  
**Applicable To Each Major Program And On Internal Control**  
**Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. We did not audit the compliance of the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan. Compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan were audited by other auditors. Our opinion presented herein, insofar as it relates to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan is based solely on the report of the other auditors. Campbell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 17, 2003

## FINDINGS AND QUESTIONED COSTS





CAMPBELL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Campbell County.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Campbell County were disclosed during the audit. However, three instances of immaterial noncompliance disclosed during the audit are reported in the Independent Auditor's Report.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The programs tested as major programs were HUD Section 236 Direct Loan, CFDA #14.138, and Housing Choice Voucher Program, CFDA #14.177.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS:

**Reference Number 2002-1**

The County Should Utilize Adequate Internal Controls Over Signature Plate

During the course of the audit, it was noted that checks were signed with a dual signature plate. The purpose for dual signatures on checks is to enhance internal control; and by using this plate, internal control is compromised. Although there is a control on the dual signature machine, which requires two keys to operate it, currently both keys are stored in the same place. We recommend in the future that these keys be separated so that two individuals must be present to operate the dual signature plate machine. Presently the person operating the machine is maintaining a log of each check run. We also recommend that a different individual maintain this log and that it be compared to actual checks run.

*County Treasurer Diane Bertke's Response:*

*The two keys needed to operate the signature machines are now being kept separate. One is being kept by the County Treasurer and one by the Assistant Fiscal Director. The Treasurer and Assistant Fiscal Director will both be present to operate the dual signature plate machine. Also, the check log, which was previously kept by the Accounts Payable Clerk, will now be maintained by the Treasurer. The safe/closet will only be accessible by the Treasurer, Fiscal Director, and the Assistant Fiscal Director.*

CAMPBELL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2002  
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCES:

**Reference Number 2002-2**

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

The county utilized five separate depositories. On August 31, 2001, \$246,608 of the county's deposits of public funds in one depository institution were uninsured and unsecured. This amount included deposits from Lakeside Terrace and A.J. Jolly Park. These were audited by other auditors. At this same depository on June 30, 2002, \$106,395 of the county's deposits of public funds were uninsured and unsecured. This also included deposits from Lakeside Terrace and A.J. Jolly Park. At a separate depository on June 30, 2002, \$266,361 of the county's deposits of public funds were uninsured and unsecured. This included deposits from Fiscal Court Housing Department Housing Choice Voucher Program. This was audited by other auditors. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Treasurer Diane Bertke's Response:*

*The Treasurer will monitor each deposit. If need be, the banking institutions will be notified to increase collateral, covering the increased deposit.*

**Reference Number 2002-3**

The County Should Maintain a Receipts Ledger For Insurance Tax Premium Receipts

Pursuant to KRS 68.210, minimum requirements for the handling of public funds include books of original entry for receipts and expenditures and/or utilization of daily cash check-out sheets. During our audit, we noted that no receipts ledgers were maintained for insurance premium taxes. To complete our audit, we requested individual deposits for our sample selected, all of which were not able to be found. Thus, for this account we relied on analytical procedures. Therefore, we recommend that the County begin immediately to maintain a receipts ledger for insurance tax premium receipts. We also recommend that all records be maintained in such manner as to be easily retrieved.

*County Treasurer Diane Bertke's Response:*

*Tax Department has gone back and updated the subsidiary ledger for cash receipts beginning with January 2002 insurance tax revenues. The tax department will continue this process, establishing a better audit trail.*

CAMPBELL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2002  
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCES: (Continued)

**Reference Number 2002-4**

The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

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During our test of payroll, we noted that there were no timesheets available for salaried employees at the Animal Shelter. We also noted that timesheets are not kept for the County Attorney's Office and the Campbell County Cable Board. Per KRS 337.320, "Every employer shall keep a record of the hours worked each day and each week by each employee." We recommend that beginning immediately these records be maintained. Also if there are any other non-elected personnel working for the County not keeping timesheets, they should begin to keep them as well.

*County Treasurer Diane Bertke's Response:*

*Met with Payroll Clerk. All departments involved were notified and made aware of recommendation. Procedures have been put into place and everyone, excluding elected officials, are now providing signed timesheets.*

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

There were no findings in the prior year.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CAMPBELL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Direct Program:		
Housing Voucher Program (CFDA #14.777) (Note 2)	KY 136V0	\$ 2,629,246
Section 236 Direct Loan (CFDA #14.138) (Note 2)	N/A	666,488
Section 201 Flexible Subsidy Loan (CFDA #14.164) (Note 2)	N/A	151,464
Section 8 Housing Assistance Payments (CFDA #14.859) (Note 2)	N/A	45,966
Passed-Through State Department for Local Government:		
Emergency Shelter Grants Program (CFDA #14.231)	S01-DC-0001	10,000
Community Development Block Grants-Campbell County Water Expansion Project (CFDA #14.228)	B-98-DC-21-0001(007)	<u>240,949</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 3,744,113</u>

CAMPBELL COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of the Interior</u>		
Passed-Through State Department of Natural Resources:		
Melbourne/Pendery Park River Path Project (CFDA #15.916)	SAI # KY 20010205-0136	\$ 14,781
<u>U.S. Department of Justice</u>		
Direct Program:		
Bulletproof Vest Program (CFDA #16.607)	N/A	328
Local Law Enforcement Grant Program (CFDA #16.592)	LLEB -190-I/99	7,905
Local Law Enforcement Grant Program (CFDA #16.592)	LLEB 350-201	8,712
Passed-Through State Justice Cabinet:		
Title V Delinquency Prevention Program (CFDA #16.548)	2000-JP-FX-0921(25-1)	2,033
Title V Delinquency Prevention Program (CFDA #16.548)	2001-JP-FX-2021(25-2)	34,596
Total U. S. Department of Justice		<u>\$ 53,574</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	N/A	\$ 5,464
Total Cash Expenditures of Federal Awards		<u><u>\$ 3,817,932</u></u>



CAMPBELL COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - The Campbell County Section Eight Existing Housing, Housing Voucher Program, Section 236 Direct Loan, Section 201 Flexible Subsidy Loan, and Section Eight Housing Assistance Payments were audited by other auditors. Compliance testing was performed by those auditors.

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

CAMPBELL COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2002



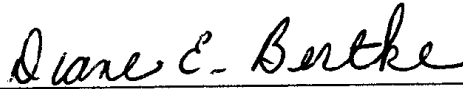
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**CAMPBELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2002

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name  
County Judge/Executive



Name  
County Treasurer



